

Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

“Oversight of the Office of the Comptroller of the Currency”

April 1, 2004

The Committee meets today for the latest in a series of oversight hearings we have planned for this year on the Federal agencies under the Committee’s jurisdiction. Last month, the Oversight and Investigations Subcommittee, under Mrs. Kelly’s leadership, held a hearing on the operations of the Federal Deposit Insurance Corporation. Today we turn our attention to the Office of the Comptroller of the Currency, the independent agency within the Treasury Department that charters, supervises and regulates the more than 2,000 institutions that make up the national banking system.

We are pleased to have back before the Committee the Honorable Jerry Hawke, who has recently returned from a brief medical leave to resume his duties as the Comptroller of the Currency. Comptroller Hawke, we welcome you back, and we wish you a continued speedy recovery.

In addition to reviewing the operations and regulatory policies of the OCC, today’s hearing provides an opportunity to take stock of the health of the national banking system. Last week, the OCC released its report on the condition of national banks in the fourth quarter of last year, reflecting net income 21 percent higher than for the same period a year ago, markedly improved credit quality, and record numbers for both return on equity and return on assets. Even with all of the shocks that our economy has undergone over the past four years – beginning with the bursting of the tech bubble in 2000 and continuing through 9-11 and the scandals in corporate America – the fundamentals of the U.S. banking system appear to have never been stronger.

This surely bodes well for the sustainability of the economic recovery that has begun to take hold in recent quarters, as banks with sound balance sheets are well-positioned to make the kinds of loans to creditworthy borrowers that can help to fuel growth and create jobs.

One by-product of the record profitability that the banking industry has enjoyed in recent years has been an increase in merger activity among some of the country’s largest institutions, including, within the past six months, three supervised by the OCC – Bank of America, Fleet, and Bank One. While the trend toward consolidation in the financial services industry is not a new phenomenon by any means, these most recent mergers nevertheless raise important issues regarding the future structure of the banking industry.

As the primary Federal regulator for the nation's largest and most complex banking organizations, the OCC faces a particular challenge in maintaining an examination force with the technical expertise necessary to ensure that these institutions are operated safely and soundly while continuing to meet the needs of the communities they serve.

Since its inception 140 years ago, the national banking system has offered banks that operate on a multi-state or nationwide basis the ability to do so under unified Federal supervision, and pursuant to one set of rules established at the national level. This fundamental principle, which has been reaffirmed in numerous Supreme Court opinions, has come under fire in recent months from opponents of regulations issued in final form by the OCC in February that seek to codify the supremacy of Federal law as applied to national banks.

As a state legislator for nine years before coming to Congress, I do not dismiss lightly the claims by state banking commissioners and others that the OCC regulations undermine the dual chartering regime that has been a hallmark of the U.S. banking system since Civil War days. However, I simply cannot agree with my friends in the States that subjecting national banks to a patchwork of inconsistent standards set by State legislatures and local municipalities is either required by the dual banking system **or** in the best interests of the customers of those institutions.

In January of this year, Mrs. Kelly's subcommittee held the first congressional hearing on the OCC's preemption regulations. The hearing was a fair and balanced look at this complex issue, at which the OCC and its critics were both afforded opportunities to state (and defend) their positions. Since then, the OCC has taken several constructive steps to address legitimate concerns expressed by Members and witnesses at that hearing. On March 1st, the OCC issued guidance to national banks stating the OCC's expectation that when national banks or their operating subsidiaries receive customer complaints forwarded by State authorities, they must take appropriate measures to resolve those complaints fairly and expeditiously. Then last week, the OCC published a proposed rule that, once fully implemented, will result in a full listing of all national bank operating subsidiaries being available to the public over the Internet, to facilitate the processing of consumer complaints against such entities. I applaud the OCC for taking these important steps, and I encourage the agency to continue to reach out to its state counterparts to address areas of common concern.

Before I conclude my remarks, let me say a few words about Basel. This Committee remains extremely concerned about the potential competitive impact that the Basel proposals might have on the U.S. banking system, and about the continued lack of consensus among federal banking regulators regarding the merits of the proposal. I will be particularly interested in hearing Comptroller Hawke's views on studies released recently by other Federal banking agencies addressing both the competitive issue and the potential effect of the new Basel framework on the prompt corrective action regime that applies to U.S. banks.

I now recognize the Ranking Minority Member for an opening statement.

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